

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS NIETO TO INTERROGATORIES OF
THE MCGRAW HILL COMPANIES, INC.
(MH/USPS-T2-3-4, 5(C), 6(C), 7(B), 8(B),9)

The United States Postal Service hereby provides responses of witness Nieto to the following interrogatories of The McGraw Hill Companies, Inc.: MH/USPS-T2-3-4,9, filed on September 17, 1997. Interrogatories MH/USPS-T2-1-2 were redirected to witness Patelunas. Interrogatory subpart MH/USPS-T2-5(a) was redirected to witness Bradley, USPS-T-13. Interrogatories 5(b), 6(a)-(b), 7(a), 8(A) were redirected to the Postal Service.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
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October 1, 1997

RESPONSE OF POSTAL SERVICE WITNESS NIETO TO INTERROGATORIES
OF THE MCGRAW-HILL COMPANIES

MH/USPS-T2-1. Please confirm that the domestic purchased highway transportation costs attributed to Periodicals (second-class) Regular mail increased from approximately \$123.2 million in FY 1995 (CRA) to approximately \$158.8 million in FY 1996 (CRA, T-24), and is projected to increase to approximately \$180 million in TYAR 1998 (T-24), despite much smaller percentage increases in the volume of Periodicals (second-class) Regular mail over that period. To the extent you do not confirm, please provide the cost and/or volume figures and sources upon which you rely. In either event, please explain fully the factors causing the increase in domestic purchased highway transportation costs attributed to Periodicals (second-class) mail over this period.

Response to MH/USPS-T2-1.

Redirected to witness Patelunas.

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MH/USPS-T2-2. Please confirm that the domestic purchased air transportation costs attributed to Periodicals (second-class) Regular mail increased from approximately \$10.7 million in FY 1994 (CRA) to approximately \$16.6 million in FY 1995 (CRA), decreased to approximately \$13.5 million in BY 1996 (CRA, T-24), and is projected to increase to approximately \$15.7 million in TYAR 1998 (T-24). To the extent you do not confirm, please provide the cost figures and sources upon which you rely. In either event, please explain fully the factors causing the fluctuations in domestic purchased air transportation costs attributed to Periodicals (second-class) mail over this period (including the reasons why Periodicals mail is flown at all).

Response to MH/USPS-T2-2.

Redirected to witness Patelunas.

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MH/USPS-T2-3. For BY 1996 and TYAR 1998, please state your best estimate of the percentage of utilization of overall capacity in the Postal Service's domestic purchased highway transportation system, and explain fully how you arrived at that estimate (including cross-references to other sources), and whether your estimate is based on floor space, cubic space, or some other measure.

Response to MH/USPS-T2-3.

As part of TRACS, data collectors estimate the amount of empty floor space in a truck at the time a TRACS test is taken. However, since these tests can take place at any stop along a trip, the estimates reflect only the average utilization on the system at any given time across all different contracts, trips, and segments. Please refer to my response to FGFS/USPS-T2-12, part b. for the average highway capacity utilization figures for FY96.

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MH/USPS-T2-4. Please explain fully (with cross-references to sources) how (a) the cost of hauling empty equipment is distributed among subclasses, and (b) how unused space in loads containing more than one subclass of mail is distributed among those (or other) subclasses.

Response to MH/USPS-T2-4.

- (a) There are two kinds of empty equipment costs. The first is the cost of highway and rail movements dedicated to the transportation of Mail Transport Equipment. The treatment of these costs is described in Library Reference H-1, pp. 14-5 through 14-8. When empty containers are carried in highway and rail vehicles, these costs are treated the same as empty space costs in TRACS.
- (b) Please refer to my response to FGFS/USPS-T2-20 for a discussion of the allocation of empty space in TRACS.

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MH/USPS-T2-5. With reference to your testimony on p. 2:

(a) Please explain fully the parameters that determine the amount to be paid under purchased highway contracts (e.g., per mile, per trip, per year, etc.).

(b) Please state whether route information for all destinations on all trips under all highway contracts is available in NASS, and whether route costs for all highway contracts are listed in the accounting files. If not, why not?

(c) Please explain fully how random selection of mail on randomly selected contract route destination-days is likely to provide an accurate forecast of costs. How are seasonal fluctuations accounted for?

Response to MH/USPS-T2-5.

(a) Redirected to witness Bradley.

(b) Redirected to the Postal Service.

(c) TRACS does not forecast costs, nor does it develop accrued costs in any account. TRACS develops a distribution key which distributes the accrued costs of the various types of highway transportation to the various subclasses of mail. Because TRACS samples a random selection of mail on randomly selected highway movements over the course of each postal quarter, it produces a snapshot of the relative proportions of the classes of mail which use the various highway transportation services.

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MH/USPS-T2-6. With reference to your testimony on p. 3:

(a) Please explain fully the parameters that determine the amount to be paid for freight rail transportation.

(b) Please state whether information for all rail movements of mail are included in RMIS. If not, why not?

(c) Please explain fully how random selection of mail on randomly selected rail vans is likely to provide an accurate forecast of costs. How are seasonal fluctuations accounted for?

Response to MH/USPS-T2-6.

(a) Redirected to the Postal Service.

(b) Redirected to the Postal Service.

(c) TRACS does not forecast costs, nor does it develop accrued costs in any account. TRACS develops a distribution key which distributes the accrued costs of freight rail service to the various subclasses of mail. Because TRACS samples a random selection of mail on randomly selected rail vans over the course of each postal quarter, it produces a snapshot of the relative proportions of the classes of mail which use freight rail service.

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MH/USPS-T2-7. With reference to your testimony on p. 4:

- (a) Please explain fully the parameters that determine the amount to be paid under domestic air transportation.
- (b) Please explain fully how random selection of mail on randomly selected flight days is likely to provide an accurate forecast of costs.

Response to MH/USPS-T2-7.

- (a) Redirected to the Postal Service.
- (b) TRACS does not forecast costs, nor does it develop accrued costs in any account. TRACS develops a distribution key which distributes the accrued costs of passenger and network air service to the various subclasses of mail. Because TRACS samples a random selection of mail on randomly selected flight-days over the course of each postal quarter, it produces a snapshot of the relative proportions of the classes of mail which use domestic and network air service.

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MH/USPS-T2-8. With reference to your testimony on p. 7:

- (a) Please explain fully the parameters that determine the amount to be paid for passenger rail service.
- (b) Please explain fully how random selection of mail on randomly selected train-segment days is likely to provide an accurate forecast of costs.

Response to MH/USPS-T2-8.

- (a) Redirected to the Postal Service.
- (b) TRACS does not forecast costs, nor does it develop accrued costs in any account. TRACS develops a distribution key which distributes the accrued costs of passenger rail service to the various subclasses of mail. Because TRACS samples a random selection of mail on randomly selected train-segment days over the course of each postal quarter, it produces a snapshot of the mail which uses passenger rail service.

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MH/USPS-T2-9. With reference to your testimony on p. 6, lines 3-6: "Previously, the *Eagle and Western Network distribution keys were calculated on a cubic-foot mile basis. Consistent with the incremental cost methodology proposed in this docket, the Eagle and Network distribution keys are now calculated on a pound-mile basis*".

(a) Please confirm that the distribution keys for purchased highway transportation, freight rail transportation, and commercial air transportation are based on cubic-foot miles. To the extent you confirm, please explain why the distribution keys are not calculated on a pound-mile basis, and how this affects the accuracy of the cost distributions.

(b) Please explain to the extent which, and the reasons why, the distribution key for passenger rail service is based on square-foot miles (as indicated in your testimony at p. 7 line 12) rather than cubic-foot miles or pound-miles. Please explain how this affects the accuracy of the cost distributions.

Response to MH/USPS-T2-9.

(a) Confirmed for highway and freight rail, not confirmed for commercial air transportation. Cubic-foot miles continues to be the cost driver for highway and freight rail transportation, not pound-miles. Commercial air costs continue to be distributed on a pound-mile basis.

(b) The Postal Service pays for passenger rail service on a square-foot mile basis, therefore the distribution of these costs is based on square-foot miles rather than cubic-foot miles or pound-miles. It is more accurate to distribute the costs of a particular mode of transportation on the basis of cost incurrence than on some other basis.

DECLARATION

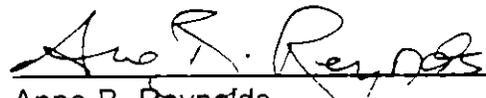
I, Norma B. Nieto, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Norma B. Nieto

Dated: 10-1-97

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.


Anne B. Reynolds

475 L'Enfant Plaza West, S.W.
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October 1, 1997